

Congress of the United States
House of Representatives
Washington, DC 20515

November 17, 2005

House Reconciliation Bill Has Significant Medicaid Cuts for Beneficiaries

Dear Colleague:

Early this morning, the Rules Committee reported out a rule that makes changes to the Medicaid provisions in the House reconciliation bill. We should all be clear on the contents of the revised measure: **the bill is mostly unchanged, and with respect to Medicaid, the few changes are largely cosmetic. The bill still has negative effects for beneficiaries in the form of higher co-payments, new premiums, and reduced benefits.** Even with the modest changes, the bill still cuts Medicaid by \$11.4 billion over five years, and the vast majority of those cuts — over \$8 billion, or nearly 75 percent — will fall directly on beneficiaries.

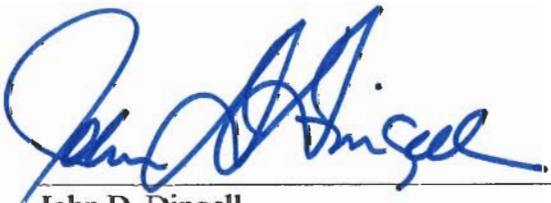
Unfortunately, the changes to the bill fail to fix the burdensome cost sharing for beneficiaries. We are attaching a new report by the Center for Budget and Policy Priorities that points out how burdensome this bill still is for Medicaid beneficiaries. Please consider the following facts:

- **All of the individuals who would face cost-sharing increases under the original bill will still see cost-sharing increases.** While the original bill increased co-payments by medical inflation beginning in 2009, the manager's amendment starts those increases even sooner — beginning this January 2006. Beneficiaries under either version will *still see their co-payments increase much faster than their incomes*. While the manager's amendment does not increase the nominal co-payment amount from \$3 to \$5 as in the bill reported by the Committee on Energy and Commerce, the new provision starts to increase co-payments by medical inflation three years earlier, so the net effect is still largely the same.
- **The bill still allows unlimited co-payments and premiums for 6 million low-income children and many other beneficiaries just above the poverty line.**
- **The bill still allows increased co-payments for certain prescription drugs for all children.**
- **The bill still allows increased costs for emergency room services for all beneficiaries, including children.**

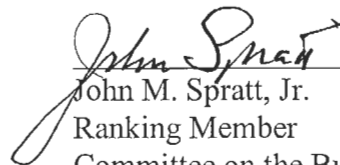
- **The bill still negatively affects those with disabilities who today are living in the community by allowing reductions in needed benefits and increases in cost sharing for those benefits — leaving many with no other option but to return to living in an institution.** Rather than working to help individuals with disabilities live in the community, this bill will exacerbate the existing institutional bias for millions.
- **The burdens under this bill still fall disproportionately on the sickest and those with chronic illnesses, who have greater health needs and will see the increased costs of higher co-pays quickly add up.**
- **The bill still allows states to discriminate in delivery of services and restrict benefits to specific populations such as those with a specific disease or those living in rural areas.**
- **The vast majority of the savings from cost-sharing increases, close to 80 percent, are still because beneficiaries will be forced to cut back on their use of health care services.**
- **The bill still allows states to impose new premiums on many beneficiaries who are just above the poverty line. A full quarter of the savings associated with new premium charges for beneficiaries are still because individuals will no longer be able to afford Medicaid, and will be forced to forego Medicaid coverage altogether.**

The reconciliation bill contains significant cuts for Medicaid beneficiaries. The modifications do little to change that fact. We urge you to vote no.

Sincerely,



John D. Dingell
Ranking Member
Committee on Energy and Commerce



John M. Spratt, Jr.
Ranking Member
Committee on the Budget

November 17, 2005

HOUSE BUDGET RECONCILIATION BILL REMAINS HARSH FOR VULNERABLE AMERICANS

Changes Made by the Rules Committee are Very Minor

Early this morning, the House Rules Committee approved minor modifications to the House budget reconciliation bill. These modifications appear intended to garner support from members of Congress who were concerned about the fact that low-income families would be forced to shoulder a large share of the cuts in the bill.

CBO analyses show, however, that the modifications are exceedingly minor and do not soften the House bill's effects on vulnerable families to any significant degree. These changes reduce the total level of cuts that most directly affect low-income families and individuals by *only about one percent*. The other 99 percent of the low-income cuts remain.¹

- **According to CBO, the House budget bill would still deny food stamps to 300,000 low-income people each month by 2008, and would cut basic food aid by \$800 million over five years.** This is the same number of people as would have been terminated from food stamps under the bill as originally reported from the Agriculture Committee. The bill would still deny food stamps by 2008 to 70,000 low-income legal immigrants and 225,000 other low-income people, most of whom are in low-income families with children.
 - *Legal immigrants: In 2008 and thereafter, the bill would deny food stamps to 70,000 legal immigrants, according to the CBO estimates; the only food stamp change that has been made in the bill reported by the Agriculture Committee is that 50,000 of these legal immigrants would lose food stamps immediately in 2006, rather than 70,000, as under the original Agriculture Committee provision. That change, essentially phasing in the legal immigrant cut over two years, was adopted by the House Rules Committee last week. No further modifications to the food stamp immigrant cuts were made today.*
 - *Terminating people in low-income working families.* The Rules Committee made a minor change today in the food stamp “categorical eligibility” cut, so that states have the option to continue providing free school meals to children in families that lose food stamps under this provision. To do so, however, states would have to add a complicated new administrative

¹ The cuts included here are those made in food stamps, SSI, foster care, child support enforcement, and the cost-sharing and benefit reductions in Medicaid. Calculations are based on CBO data.

procedure to their school meals programs, and history suggests some states and school districts will not do so.² Moreover, this change would have *no* effect on the number of people who would lose food stamps under this provision. Some 225,000 low-income people still would be terminated from food stamps, with reduce food stamp benefits being cut by almost \$550 million over five years. A typical low-income family of three affected by the cut would still lose \$141 a month in food stamp benefits, or nearly \$1,800 on an annualized basis. If the family's state and its local school district availed themselves of the new school meals option, the family would not lose an additional \$15 to \$30 a month in school meals benefits as well. (Hence, these families would lose \$141 a month in food assistance instead of losing \$156 to \$171 a month.) If the state and school district did *not* adopt the new option, the family's children still would lose free school meals as well.

- **The changes made to the Medicaid provisions are exceedingly minor — the House bill still would allow states to impose substantial new co-payment and premium fees on millions of low-income Medicaid beneficiaries, and to scale back substantially the health care services that the Medicaid program provides.** The Rules Committee adopted one modification that reduces the co-payments that the poorest Medicaid beneficiaries could be charged. However, the Rules Committee left unchanged the two most serious problems in this part of the House bill — the very high co-payment and premium fees that Medicaid beneficiaries *just above the poverty line* could be charged, and the ways in which states would be allowed to cut back markedly on the health care services that Medicaid covers for those patients, including the elimination of Medicaid's longstanding guarantee of covering all medical treatments that a low-income child is found to need in health care screenings.

In fact, the modifications are so minor that they reduce by less than 2 percent — or just \$100 million over five years — the cuts that would be made in Medicaid from increasing co-payments and premiums and cutting coverage for health care services. The cuts in this area — the main direct beneficiary “hits” in the Medicaid part of the bill — still would exceed \$29 billion over the next ten years, according to CBO. CBO also has said that these cuts would cause many beneficiaries to forgo health care services, and ultimately would result in increases in emergency room costs.

- The bill still would allow states to charge unlimited copayments, as well as to impose large premiums for the first time in Medicaid's history, on six million low-income children and many other beneficiaries with incomes *just above* the poverty line (or above 133 percent of the poverty line for children under the age of six). There would be no dollar ceiling on the co-payment and premium levels that could be charged to patients just above the poverty line; the only limit would be that total co-payments and premiums could not exceed five percent of a family's annual income, a level that has been found by medical studies to result in large numbers of low-income patients forgoing needed care and becoming sicker. Indeed, the bill would allow states to charge much higher co-payments and premiums to patients just above the poverty line than are allowed under the SCHIP program, which sometimes is cited inaccurately as the model for this part of the House bill. *The Rules Committee made no changes to these provisions.*

² Under the new option, states and school districts could maintain free school meals for children whom they could determine were receiving certain TANF-funded benefits. This new option is similar to an option that was in federal law for a number of years for schools to provide free school meals to all children who receive food stamps. Many states and school districts did not implement this option, for administrative reasons, until federal law was changed to mandate it.

- The bill still would allow states to restrict the services that Medicaid covers for beneficiaries just above the poverty line (or above 133 percent of the poverty line for young children). States would be permitted to eliminate coverage for services such as hearing aids, speech therapy, eyeglasses, crutches, and dental care for these children.
- The bill would raise co-payments for the poorest beneficiaries *twice as fast* as their incomes. The Rules Committee reduced the copayments that could be charged to the poorest beneficiaries, as compared to the co-payment levels contained in earlier version of the bill. But the bill would raise the co-payment levels for the poorest beneficiaries, starting in 2006, at the same rate as *medical* inflation. Medical inflation has been rising twice as fast as general inflation — and thus, at least twice as fast as these patients' incomes (particularly patients whose incomes are frozen for such reasons as the failure to raise the minimum wage for more than eight years). *Despite the modifications made by the Rules Committee, co-payments for health care services and medications would consume an increasing share of poor beneficiaries' incomes with each passing year, and would be set higher over time than the co-payments charged poor seniors under the new Medicare drug program.*
- **The House bill still would slash funding deeply for child support enforcement efforts.** According to CBO, the cuts in federal funding for child support efforts would result in *\$24 billion in child support payments that would be collected under current law going uncollected over the next ten years.* As a result, many children could be pushed deeper into poverty. *The Rules Committee made no changes in this area.*
- **The House bill still would result in an estimated 330,000 children in low-income working families losing child care assistance in 2010 as a result of the low child care funding levels and unfunded new work requirements in the bill.³**
- **The House bill still cuts foster care benefits for many children living with grandparents and other relatives.**
- **The House bill still requires many SSI recipients owed back benefits to wait up to an additional year before they receive the benefits they are owed.**

Finally, it remains the case that these cuts would *not* be used to reduce the deficit or to offset the costs of hurricane relief. These cuts would be used instead to partially offset the cost of the tax-cut reconciliation bill that the House plans to consider as early as tomorrow. The tax-cut bill would reduce revenues by \$60 billion over five years, more than offsetting the total savings in the House budget-cut bill.

While the budget cuts would heavily affect many low-income families, the centerpiece of the tax-cut bill these budget cuts would help finance — the extension of the capital gains and dividend tax cuts — would overwhelmingly benefit the nation's most affluent individuals. The Urban Institute-Brookings Institution Tax Policy Center reports that 53 percent — or more than half — of the tax-cut benefits from the capital gains and dividend measures go to the 0.2 percent of households that make more than \$1 million a year.

³ This is a CBPP estimate based on CBO data. No specific CBO estimate is available.